

It's Re-Grown Bigger Than Ever!

IT'S TIME TO FINISH THE JOB ON WELFARE REFORM

By Rep. Ernest Istook (R, OK)

Welfare reform is considered a crowning achievement of the Republican majority in Congress. Single mothers went to school and gained job skills. Fathers returned to work to support their families. Children learned the value of work by their parents' example. They're better off, and the country is, too.

Yet welfare reform also remains a major unfinished task.

We have only reshaped one of many public assistance programs—and not the biggest one. But the success of that reform should embolden us now to address the other programs.

Public assistance payments are a huge contributor to today's massive federal deficit. What's worse, they create a dependency deficit that has tens of millions of able-bodied Americans relying too much on assistance and too little on themselves.

The 1996 reform focused mainly on AFDC (Aid to Families with Dependent Children), which then had over 5-million American families enrolled, at an annual cost of \$22-billion.¹ Today the successor program gives broader benefits to a smaller number (2.2-million households) with a cost of \$10.2-billion a year.² But its best measure of success is that 3-million Americans became self-sufficient, 2-million children were lifted from poverty, and the dignity of work was restored within families.³

The key was establishing five-year time limits for able-bodied people to remain on the program—providing incentive and motivation. Liberals screamed that we were dooming people, especially children, to starvation and homelessness. Of course, they were proven wrong; the time limits were a huge success and poverty declined.

But we've stopped too soon, because similar problems exist with other—larger--public assistance programs. There is plenty of work left to do.

AFDC was never the sole part of our welfare system, nor even the biggest piece. The other parts consume much larger amounts of our tax dollars, and create disincentives for people to work rather than depend on government.

¹ Gene Falk, Melinda Gish, and Carmen Solomon-Fears, "CRS Report IB 10140: Welfare Reauthorization: Overview of the Issues", Congressional Research Service, p. 3.

² Ibid.

³ Ibid.

Food Stamps now go to 23-million Americans, at a cost of \$27-billion per year.⁴ Like the old AFDC, it has no limit on how long able-bodied people receive Food Stamps.

Medicaid pays the health care bills for 42-million people,⁵ costing federal taxpayers \$174-billion annually.⁶ An additional \$121-billion⁷ is paid by state taxpayers (and governors are moaning that it is bankrupting their states). There's no limit for how long able-bodied people remain on Medicaid.

Federal housing subsidies provide shelter for 4.5-million families, with no time limit, at an annual cost of \$23-billion annually.⁸

Then there's EITC, the mislabeled Earned Income Tax Credit. It sounds like a tax refund, but it's actually a government income subsidy, writing checks to individuals for up to \$4,300 per year.⁹ 21-million people receive these annually, costing taxpayers \$37-billion.¹⁰ Yet audits consistently show that almost one-third of the recipients don't actually qualify!¹¹ Again, there's no time limit on collecting these checks.

One thing we don't track—but we should—is how many Americans participate in over 80 federal benefit programs, stacking benefits atop one another. (The other programs

⁴ United States Department of Agriculture, "Food Stamps Program Participation and Costs", (February 28, 2005), <http://www.fns.usda.gov/pd/fssummar.htm>.

⁵ In FY 2003, 41.9 million individuals received Medicaid (p. 84 of the FY 2005 Congressional Budget Justification, February 2004). An estimated 42.4 million individuals received Medicaid in FY 2004 (p. III-11 of the FY 2004 Congressional Budget Justification, February 2003). Subsequent data has recalculated the actual number of participants in Medicaid during FY 2004. Most recent "actual" figures report a participant level of 43.7 million individuals in FY 2004 (pg. 79 of the CMS Congressional Budget Justification for FY 2006, February 2005). Centers for Medicare & Medicaid Services, FY 2003 actual and FY 2004 estimated figures.

⁶ Total Medicaid expenditures for FY 2004 were \$296,202,598,904. The Federal share for FY 2004 was \$174,935,880,792. Ibid, FY 2004 preliminary data.

⁷ State Share was calculated at \$122,266,718,112 by subtracting federal share from total spending. Ibid, FY 2004 preliminary data.

⁸ Speech given by HUD Secretary Alphonso Jackson on June, 17 2004 at the National Press Club Luncheon "Homeownership: Myth vs. Reality".

⁹ Internal Revenue Service, "2004 Tax Documents: Publication 17," 2004.

¹⁰ According to a Data Analysis prepared for Congressman Ernest Istook by the IRS, in tax year 2002, 20,918,821 filers received an EITC, with total EITC receipts amounting to \$36,938,444,290.

¹¹ According to a data analysis prepared for Congressman Ernest Istook by the IRS, in tax year 1999, \$9.9 billion out of a total \$31.3 billion paid in EITC were wrongfully paid.

provide legal services and child care, pay utility bills, etc.) Those who participate in all these programs receive cash and benefits of over \$17,000 per person per year. (You can multiply this by the number of people in a household, to measure the impact.)

Tens of millions of Americans remain dependent on a federal government that doesn't do enough to promote self-sufficiency. Even as Washington spends over \$8-billion¹² a year on re-education and job training programs, the disincentive to work remains strong.

These welfare programs are based on need as defined by income, not by age, health or other factors. In contrast, we have large and separate programs that aid the disabled, the widowed and orphaned, our veterans and our senior citizens. These include Social Security, Medicare, veterans' benefits and SSI. Time limits on welfare would not affect those programs.

When tens of millions of able-bodied Americans receive public assistance year after year, we have a problem with how we define compassion. When we're told that millions of immigrants want to take jobs that Americans don't want, we should ask why they don't want those jobs. Making someone dependent on unlimited handouts is not compassion; it robs them of the dignity of work and self-sufficiency, and it gradually destroys the human spirit.

It's time to re-visit welfare reform and to be more thorough this time. Adopting time limits on "needs-based" assistance to able-bodied Americans is a tough-love challenge, but our country and its families will be stronger if we do.

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¹² In the FY 2005 Omnibus Appropriations Bill, \$8.270 billion was spent on select job training programs at the U.S. Department of Education, Department of Labor, and the Department of Agriculture -- Vocational rehabilitation (\$ 2.6 billion), Workforce Investment Act Programs for Adults (\$890 million), WIA Youth (\$ 986 million), and WIA Dislocated workers (\$ 1.4 billion), Trade Adjustment Act training programs (\$243 million), Job Corps (\$1.5 billion), other smaller national programs (\$347 million) and the Food Stamp Program, Employment and Training account (\$304 million).

Preliminary information from the Office of Management and Budget estimate that up to \$15 billion is spent on job training programs.